

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 396 - HB 839**

March 6, 2017

**SUMMARY OF BILL:** Authorizes a retired member of the Tennessee Consolidated Retirement System (TCRS) to select a new beneficiary to receive monthly benefits upon the member's death if the original beneficiary was a spouse and predeceases the member after retirement and the new beneficiary is the current spouse of the member. Specifies that this authorization only applies to existing retired members as of July 1, 2017, and members retiring on or after that date

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$18,941,800**

**Increase Federal Expenditures – Exceeds \$3,684,800**

**Increase Local Expenditures – Exceeds \$17,208,900\***

Assumptions:

- According to TCRS, 13,013 retiree members selected an option with the spouse named as a beneficiary.
- Total annual benefits paid to these members are approximately \$263,462,200.
- According to the 2015 U.S. Census Bureau report *Remarriage in the United States*, approximately 31.5 percent of married Tennesseans will remarry at least once after a first marriage.
- Based on information provided by TCRS, approximately 16 percent of beneficiaries predecease members.
- Any increase in the number of members selecting plan options with a spouse named as a beneficiary cannot be reasonably determined.
- Total annual benefit payments for retired members with a predeceased beneficiary who remarry are estimated to exceed \$13,278,495 ( $\$263,462,200 \times 31.5\% \times 16.0\%$ ).
- Based on information provided by TCRS, an average additional three years of benefits will be paid as a result of designating an additional beneficiary.
- The total increase in benefit payments as a result of this legislation is estimated to exceed \$39,835,485 ( $\$13,278,495 \times 3 \text{ years}$ ).
- According to TCRS membership is broken down as follows: 37 percent state employees, 33 percent teachers, and 30 percent local government employees.

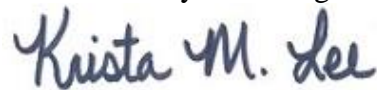
**SB 396 - HB 839**

- The recurring increase in benefit payments to state employees is estimated to exceed \$14,739,129 (\$39,835,485 x 37.0%).
- The recurring increase in benefit payments to teachers is estimated to exceed \$13,145,710 (\$39,835,485 x 33.0%).
- A funding ratio for state employees as follows: 75 percent state and 25 percent federal.
- A funding ratio for teachers as follows: 60 percent state and 40 percent local.
- The total recurring increase in state expenditures is estimated to exceed \$18,941,773 [(\$14,739,129 state employee benefits x 75.0% state funding) + (\$13,145,710 teacher benefits x 60.0% state funding)].
- The recurring increase in federal expenditures for state employee benefits is estimated to exceed \$3,684,782 (\$14,739,129 state employee benefits x 25.0% federal funding).
- The mandatory recurring increase in local government expenditures for teacher benefits is estimated to exceed \$5,258,284 (\$13,145,710 teacher benefits x 40.0% local funding).
- Local government employees are funded 100 percent local.
- The mandatory recurring increase in local expenditures for local employees is estimated to exceed \$11,950,646 (\$39,835,485 x 30.0%).
- The total mandatory recurring increase in local expenditures is estimated to exceed \$17,208,930 (\$11,950,646 + \$5,258,284).

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jaw